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ABSTRACT

The need for public disclosure of supplemental income received by California public universities' faculty members, particularly from outside consulting is discussed. The relationship between this supplemental income and legislative decisions on faculty salaries is also discussed. Although legislation has been considered in this area of public disclosure of outside faculty income, it has not been pursued in the hope that institutions of higher education would monitor their own activities and adopt their own disclosure requirements. If the institutions do not monitor themselves, it is felt that the legislature will have to intervene. (SPG)

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PERSPECTIVE OF CALIFORNIA LEGISLATORS ON DISCLOSURE AND ACCOUNTABILITY AS IT RELATES TO FACULTY SALARIES AND SUPPLEMENTAL INCOME

by

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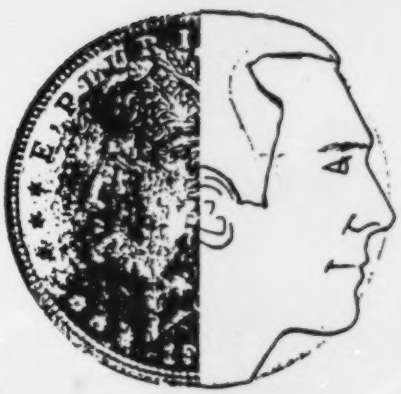

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PERSPECTIVE OF CALIFORNIA LEGISLATORS ON DISCLOSURE AND ACCOUNTABILITY AS IT RELATES TO FACULTY SALARIES AND SUPPLEMENTAL INCOME

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I have been asked to provide some general feedback on ethical and economic issues related to academic income from the standpoint of legislators here in California. I should say that the range of perception held by legislators about what higher education should provide to students and society and about the role of legislation in providing direction to higher education institutions is very broad--certainly as broad as the range of views held by the participants in this conference. However, there is a good deal of consistency in the views of a handful of legislative members who are extensively involved in educational issues and who are the principle authors and decision makers of legislative educational decisions and policies. I am limiting my comments to the views held by this group of legislators.

As you may be aware in recent years the Legislature's level of involvement and concern with higher education has increased. This has been encouraged by public sentiment and by voices from within higher education. In many cases, today's critics of our higher education system were its great supporters during the political turmoil of the late sixties and early seventies. The focus of today's criticism is <u>not with the goals of higher education</u> but with the level of achievement and commitment the University is making toward these goals. Is the University providing a liberal education that helps the student understand and participate in today's society? Does the University's makeup and teaching reflect the diversity of our world? Is the University, through research and public service

activities, making a significant contribution to the solution of society's problems?

The University of California may believe that its independence is at stake--that control is the real issue. Legislators, however, do not see it that way. They may want to change the University and higher education but they do not desire to control it. They justify their involvement on the basis of their responsibility as elected officials to ensure that publically supported institutions remain accountable. Legislators cannot overlook the fact that they annually appropriate $1.5 billion dollars to public universities and colleges. The University of California receives roughly $800 million annually from the State General Fund, this represents one-third of the annual University of California budget. The California University and State College System receive $700 million annually. Legislative involvement in higher education is not going to end. The Legislature and the University are involved in a continuing process of defining the appropriate level of legislative involvement and influence in higher education. Faculty salaries and supplemental income--the concern of this conference--are microcosms of the larger question and as such should be of great concern to legislators and faculty members.

Beyond the most general level of concern with the achievements of higher education, there are two major concerns which relate directly to academic salaries and supplemental income: Openness and accountability within the University. The desire for openness of the public decision making process stems most recently from Watergate.

In 1974, Proposition 9, California's Political Reform Act, was passed overwhelmingly by the electorate. Among other things Proposition 9 requires public officials to (1) disclose financial holdings that present a potential conflict with their official responsibilities and (2) disqualify themselves from making public decisions in areas of conflict. Specifically, public officials must report sources and amounts (within ranges):

1. For outside income when over $250.
2. For interests in real property over $1,000.
3. For investments over $1,000.
4. For gifts of more than $25.

During last year's budget hearings on this issue of disclosure, one legislator asked what the University thought the result would be if the electorate were asked if disclosure should be applied to University and Professors and administrators. He was trying to drive home the point that times have changed and the pressure the Legislature was applying represented public sentiment.

Accountability is a second major concern for California legislators which also influences their outlook on academic salaries and supplemental income. The level of resources available for higher education is not likely to be growing in future years. The main source of new resources, enrollment, is projected to remain constant through the 1980s. With this revenue picture, the legislative review of the University budget focuses less on what new program will be started and more on redirection of existing resources to meet emerging critical needs.

At this point it might be helpful to talk in specifics about legislative involvement in California higher education. The debate over the relationship between the University of California and the Legislature becomes particularly tense during the annual legislative budget review. In California, the University submits a budget to the Governor and after modifications the Governor incorporates the University budget into the State budget. The State budget is presented to the Legislature on January 10 of each year. In the Assembly, the budget is referred to the Ways and Means Committee which divides itself into working subcommittees to review particular portions of the budget.

Last year the Ways and Means Subcommittee on Education, chaired by John Vasconcellos, spent five weeks reviewing the University of California budget. During the hearings, members of the Subcommittee were very surprised to find that certain colleges and departments within the University of California had established informal guidelines that allowed faculty one day per week for outside consulting. The University regulations (No. 4) allows such outside consulting provided it does not interfere with "regular University duties." The Subcommittee asked the University for information on income of University of California faculty members from outside consulting. The University responded that it does not currently collect data about faculty consulting for individuals or agencies outside the University. As a matter of information, the University supplied data from the 1969 Carnegie Commission Survey of "high quality" universities which indicated that approximately 20 percent of faculty members had

served as paid consultants to local business, government or schools, another 20 percent had served as paid consultants to the Federal Government.

Members of the Subcommittee noted that this information showed that a significant portion of outside consulting involved governmental agencies. It appeared that some University of California faculty members might be dipping into the public coffers twice. They questioned whether the public should pay a full-time salary to a faculty member and then also pay that faculty member for consulting on governmental problems. This issue was the primary catalyst to the drafting of supplemental language which I will discuss in a moment.

The Ways and Means Subcommittee members were also concerned about the possible biases and negative influences outside consulting might create in course content. They questioned how a consulting faculty member could objectively teach content that might conflict with the policies or operations of the firm (or government agencies) which paid him. Based on student testimony, Subcommittee members felt that in order to avoid possible abuses students should be informed about outside consulting done by individual professors. In addition, it was thought that such disclosure would help ensure that faculty members did not misuse their positions and special credentials when making public statements as experts on controversial topics.

As a result of discussions at these budget hearings, the following budget control language was drafted and seiously considered for adoption by the Subcommittee: (Budget control language is written into the budget

act and as such has the force of law during the budget year.)

"The University [shall] require full public disclosure of outside professional activities undertaken by members of its faculty and administration, where the aggregate income to any member from any source exceeds $250.00. Such disclosure shall describe the outside professional activities, the client or employer for whom activities are performed, the amount of time dedicated to such work, whether the aggregate value from each source was greater than $1,000 and whether it was greater than $10,000 and where the activity was performed.

"Disclosure [shall] be made of positions held by members of faculty and administration on boards of private (profit or nonprofit) organizations.

"Disclosure statements of individual faculty and administration members [shall] be public, and be available to students participating in classes taught by the respective faculty members.

"The University [shall] develop a policy on consulting, and submit such to the Legislative Budget Committees by March 1, 1978."

This language was <u>not adopted</u> by the Subcommittee for a number of reasons. First, the University of California indicated that a President's Advisory Committee was reviewing University policy on faculty consulting and similar extra-University

professional activities, and recommendations would be made by that Committee relating to possible policy changes. At the time it also appeared that the Fair Political Practices Commission, created by Proposition 9, might require the University to include faculty members under its conflict of interest disclosure code. Secondly, Subcommittee members were aware and concerned about the University's autonomy. They generally agreed that disclosure was highly desirable but would be better accepted if adopted at the University's initiative.

I should add that the now published report of the President's Advisory Committee on Faculty Consulting did not call for disclosure and in fact found existing University policy statements and regulations to be generally sound. Likewise, the conflict of interest code the University adopted and which was accepted by the FPPC does not include faculty disclosure requirements.

Given this turn of events I suspect that during this year's budget hearings the issue of faculty consulting will again receive considerable attention and possible criticism.

There is one other issue that relates to faculty salaries and supplemental income in which the Legislature is extensively involved. This is the annual provision for salary increases. The Governor provides a salary increase percentage in his budget each year. In the last few years, the Legislature has seen fit to augment the Governor's offer by a few percentage points after reviewing the California Postsecondary Education Committee report on comparable faculty salary, economic data such as the CPI and deliberating on questions of equity and justice. It is unlikely that legislators would use

their salary increase setting responsibility to gain faculty disclosure provisions, however, outside consulting income may in future years be included in the deliberation on faculty salary increases.

While on the issue of faculty salaries I would like to say that legislators believe that being a faculty member at a prestigious University is a terrific job and a privileged position. They believe that teaching is a personally rewarding occupation, that faculty salaries are certainly adequate if not reasonable, and that the freedom to choose, and the time to pursue, one's academic area of interest is one of the highest benefits any job could offer. You may not share this perception. However, it is important that you accept it as the perception of California legislators and realize it influences their legislative decisions.

In closing, I would like to restate what many legislators feel is an uncomfortable bind. It is part of their public responsibility to ask for public disclosure of outside faculty consulting. They also believe in the desirability of some level of autonomy in higher education. They would therefore prefer to have institutions of higher education monitor their own activities, particularly in areas like consulting fees, and adopt their own disclosure requirements. If the job is done for them they meet their responsibilities to the public and avoid the conflict surrounding autonomy. If it is not, then they will risk the conflict, in efforts to represent the interests of their constituents.

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